

# TRANSPORTATION ABCs

with **Rob Martinez**



## Drive Down Costs by Adding the USPS

The USPS is ramping up to take advantage of competitive freedoms it gained under the Postal Accountability and Enhancement Law, which lifted the mandate for uniform pricing for all. Under the new law, the USPS has the autonomy to develop competitive shipping products and pricing initiatives.

Well-positioned to capture market share in the Express and Ground business, the USPS is going after that market segment in a major way with the products and pricing to do it. Of its \$75 billion in fiscal 2008 revenue, the USPS generated about 11%, or \$8.35 billion, from shipping services. But they're only getting started.

Mary P. Anderson, USPS Manager of Sales and Pricing for Expedited Services, describes some unique advantages: "We're the only carrier that can put items in mailboxes, P.O. Boxes or residential mail slots. We offer free package pickup six days a week. We have the most package drop-off points in the country. We go to every address for the same price, whereas our competitors impose 'extended area' surcharges. And we have no extra charges for Saturday delivery, residential delivery or fuel surcharges."

Other advantages include the fact that the USPS is the only carrier that offers pricing for parcels that weigh 13 ounces or less (First-Class Mail Packages) with delivery service standards within three business days. Retail pricing ranges from \$1.17 to \$3.21, a bargain compared to \$4.57 (plus fuel and other surcharges) for UPS and FedEx Ground service (one-pound, Zone 2 minimum charge).

This year, the USPS unveiled competitive pricing tiers for Express Mail and Priority Mail. Discounts are available for shippers that process shipments online (approximately five percent off retail for Express Mail, 4.7% for Priority Mail). Deeper discounts called Commercial Plus are available for high-volume

shippers (approximately 14.5% for Express Mail, seven percent for Priority Mail).

Shippers can qualify for Commercial Plus discounts on Priority Mail (100,000 pieces/year) and/or Express Mail (6,000 pieces/year) and receive discounts immediately. Moreover, the \$.65 Delivery Confirmation fee is waived for online Priority Mail shippers.

In addition, the USPS has developed convenient, unlimited weight products that feature predetermined rates regardless of weight or destination.

**A pricing analysis reveals that the USPS is particularly competitive for lightweight, residential packages, especially to close-in zones.**

The strategies are working. The USPS targeted several dozen large shippers and, over the past two years, has made significant sales progress. Gary Reblin, USPS Vice President for Expedited Mail, recently announced the USPS has signed 25 new accounts from large customers — defined as generating \$2.5 million or more in annualized revenue — over the past few months.

Although some USPS services may lag behind those of UPS and FedEx, shippers of all sizes are wise to carefully evaluate USPS services and, where appropriate, add these services to their carrier mix. ■

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